GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:2240
ANSWERED ON:05.12.2014
CASES OF SERIOUS FRAUD
Dhurve Smt. Jyoti;Lokhande Shri Sadashiv Kisan;Mahato Shri Bidyut Baran;Meghwal Shri Arjun Ram ;Pathak Smt. Riti

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) the number of cases of serious corporate frauds including those committed at Commodities Stock Exchanges registered in the country during each of the last three years and the current year;

(b) the regulatory/monitoring mechanism put in place by the Government to investigated the cases of such serious corporate frauds;

(c) the steps taken or proposed to be taken by the Government for the speedy disposal of the said cases;

(d) whether Government has constituted or proposes to constitute an expert team to evolve a mechanism for bringing down the increasing number of pending court cases related to this Ministry; and

(e) if so, the details thereof and the outcome thereof?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

a) & (b) Discovery of commission of offences like Corporate Frauds is primarily through investigations on complaints. There is already a separate agency under the Ministry of Corporate Affairs, the Serious Fraud Investigation Office (SFIO) to investigate corporate frauds. It was set up through a Resolution dated 02.07.2003 to investigate corporate frauds of serious and complex nature. During the last three years and in the current year from 01.04.2014 to 30.11.2014 the Ministry, has ordered investigations through SFIO in respect of 167 companies for alleged corporate frauds. Year-wise details are as under:

Year	No. of Companies
2011-2012	13
2012-2013	43
2013-2014	82
2014-2015 (Till 15.11.2014)	29

The Ministry has also conducted inspection under section 209A of books of accounts and other records of National Spot Exchange Limited, Financial Technology India Limited and Multi Commodity Exchange India Limited to examine the alleged frauds committed at the Commodities Stock Exchange.

(c) Following steps have been taken by the Government in connection with investigation of corporate frauds:

(i) Enhanced disclosure norms under the Companies Act, 2013 so that investors get all relevant information from the companies;

(ii) "Fraud" has been defined under the Companies Act, 2013 for the first time as a substantive offence, and cover many dubious activities which were not specifically covered under the Companies Act, 1956;

(iii) Serious Fraud Investigation Office (SFIO) has been granted statutory status with adequate powers under the Companies Act, 2013;

(iv) Provisions for attachment and disgorgement of assets introduced under the Companies Act, 2013;

(v) Auditors' accountability and independence enhanced through provisions which inter alia include rotation of auditors, etc. This would improve objectivity of audit and provide better insights to the investors.

(d) & (e) No such Committee has been constituted by the Ministry. However, for the purpose of speedy disposal of court cases, the respective Registrars of Companies are regularly monitoring the progress of court cases and are also interacting with the respective Chief Metropolitan Magistrates for speedy disposal of the cases.